PASTURES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2002

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V7

SASKATCHEWAN

103-01297/

Phone: (306) 787-6398
Fax: (306) 787-6383
Internet e-mail: info@auditor.sk.ca

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Pastures Revolving Fund as at March 31, 2002 and the statements of operations and accumulated operating deficit, and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
September 17, 2002

Fred Wendel, CMA, CA
Provincial Auditor

PASTURES REVOLVING FUND
BALANCE SHEET
As at March 31

	2002	2001
ASSETS		
Current assets:		
Accounts receivable	$ 318,692	$ 308,462
Inventory	306,457	280,572
	625,149	589,034
Capital assets (Note 5)	2,134,826	2,152,424
	$ 2,759,975	$ 2,741,458
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 208,174	$ 272,686
Unearned revenue	3,034	19,700
	211,208	292,386
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	3,003,911	3,178,422
	3,215,119	3,470,808
Equity:		
Accumulated operating deficit (Statement 2)	(455,144)	(729,350)
	$ 2,759,975	$ 2,741,458

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING DEFICIT
For the Year Ended March 31

	Budget 2002 (Note 6)	Actual 2002	Actual 2001
REVENUES			
Grazing	$ 5,453,270	$ 4,995,549	$ 4,900,642
Bull wintering	377,000	447,445	403,019
Cow wintering	146,914	165,005	148,745
House rent	64,276	57,500	62,522
Well site and roadway easements	75,955	708,066	687,294
Seismic and easement	17,816	104,342	18,223
Hay	43,100	19,678	30,356
Backgrounding	58,325	---	40,621
Gain on disposal of capital assets	---	12,176	18,703
Other	3,344	58,298	8,395
	6,240,000	6,568,059	6,318,520
EXPENSES			
Salaries	2,857,513	2,826,110	2,753,204
Taxes	821,337	849,868	786,187
Repairs and improvements	536,419	534,288	521,818
Rental of equipment, horses and other	381,181	381,958	390,095
Travel	260,900	274,302	273,512
Amortization	287,142	307,752	290,302
Seed and forage	325,900	563,149	506,587
Small tools, equipment and supplies	184,585	177,051	158,709
Utilities	110,420	120,058	135,945
Veterinary fees and supplies	99,068	108,015	112,274
Telephone	86,415	78,034	91,201
Freight and postage	12,975	51,516	41,393
Advertising and printing	5,600	3,227	5,781
Bad debt expense	---	---	19,421
Other	32,545	47,875	261,441
	6,002,000	6,323,203	6,347,870
Net income (loss) (Note 8)	238,000	244,856	(29,350)
Accumulated operating deficit, beginning of year	(729,350)	(729,350)	(796,984)
Transfer from General Revenue Fund (Note 4)	29,350	29,350	96,984
Accumulated operating deficit, end of year – to Statement 1	$ (462,000)	$ (455,144)	$ (729,350)

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	2002	2001
Financing required for (provided by) operating activities:		
Net (income) loss	$ (244,856)	$ 29,350
Items not affecting working capital:		
Amortization	(307,752)	(290,302)
Bad debt expense	---	(19,421)
Gain on disposal of capital assets	12,176	18,703
Net decrease (increase) in working capital items related to operations (Note 10)	117,293	(164,087)
	(423,139)	(425,757)
Financing required for (provided by) investing activities:		
Purchase of capital assets	290,156	138,448
Proceeds from sale of capital assets	(12,178)	(28,612)
	277,978	109,836
Financing required for (provided by) financing activities:		
Payment from General Revenue Fund	(29,350)	(96,984)
Net decrease in financing requirements	(174,511)	(412,905)
Accumulated net expenditure, beginning of year	3,178,422	3,591,327
Accumulated net expenditure, end of year – to Statement 1	$ 3,003,911	$ 3,178,422

(See accompanying notes to the financial statements)

PASTURES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. Authority and Definition

The Pastures Revolving Fund is continued under *The Pastures Act,* effective August 1, 2000. The Revolving Fund was formerly called the Conservation and Development Revolving Fund. The Revolving Fund provides for the establishment, operation, management and maintenance of pastures, programs and services related to pasture and livestock management, and programs related to developing, protecting and promoting the environmental, social, and economic use of pastures.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. The following policies are considered significant:

a) Net Expenditure (Recovery)

The net expenditure (recovery) is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure includes the following:

i) the net expenditure for each fiscal year; and
ii) the book value of assets acquired (disposed of) at no charge from (to) another government agency.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of repair parts, livestock feed, minerals and fencing supplies.

d) Capital Assets and Amortization

Capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating deficit. Amortization of all capital assets is charged to operations using the straight-line method at the following rates:

Fencing and corrals	10%
Water sites	5%
Buildings	5%
Equipment	10%
Office equipment	25%
Land improvements	10%

Assets acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) Unearned Revenue

Unearned revenue consists of grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

3. Authorized Financing

Subsection 16(11) of *The Department of Agriculture and Food Act* provided for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of $10,000,000.

4. Accumulated Operating Surplus (Deficit)

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The limit for the Pastures Revolving Fund is $700,000.

5. Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Fencing and corrals	$ 719,408	$ 332,456	$ 386,952	$ 399,778
Water sites	536,177	103,083	433,094	358,194
Equipment	1,509,046	681,689	827,357	901,652
Buildings	348,531	87,274	261,257	244,127
Office equipment	119,225	82,268	36,957	33,745
Land improvements	257,187	67,978	189,209	214,928
Total	$ 3,489,574	$ 1,354,748	$ 2,134,826	$ 2,152,424

6. Budget

Treasury Board approves the Revolving Fund's budget annually.

7. Related Party Transactions

Included in these financial statements are the following transactions with Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Revolving Fund by virtue of common control or significant influence by the Government of Saskatchewan.

The Revolving Fund purchased utility and communication services of $198,702 (2001 – $196,454) from SaskPower, SaskEnergy and SaskTel and purchased vehicle rentals, insurance and supplies of $128,873 (2001 - $122,982) from Saskatchewan Property Management Corporation and Saskatchewan Government Insurance. These transactions are in the normal course of operations and are recorded at the standard rates charged by these corporations.

The Revolving Fund paid employee benefits of $191,497 (2001 - $171,271) to Public Service Superannuation Fund, Public Employees Superannuation Fund, Public Employees Disability Income Fund and Public Employees Group Life Insurance Fund.

The Revolving Fund receives use of Crown land, office space and administrative services from the Department of Agriculture, Food and Rural Revitalization without charge. In addition, the Revolving Fund pays provincial sales tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

As at March 31, 2002, $41,902 (2001 - $21,060) was due to Government agencies as a result of the transactions referred to above.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net recovery (expenditure) of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	2002	2001
Net income (loss)	$ 244,856	$ (29,350)
Payment from General Revenue Fund	29,350	96,984
(Increase) decrease in inventory balance recorded by the Revolving Fund	(25,885)	133,808
Decrease (increase) in net capital assets recorded by the Revolving Fund	17,598	161,763
Timing differences in recording revenue/payments	---	(27,624)
Net recovery (expenditure) reported in the Public Accounts	$ 265,919	$ 335,581

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables is $381,727 at March 31, 2002 with an allowance for doubtful accounts of $63,035. Some of the receivables were received shortly after year end reducing the credit risk.

c) Receivables/Payables

These financial instruments are non-interest-bearing and are due or payable within one year. Due to this short-term maturity, the carrying value of these financial instruments approximates their fair value.

d) Accumulated Net Expenditure

The fair value of accumulated net expenditure has been omitted because it in not practicable to determine the fair value with sufficient reliability.

10. Net Change in Working Capital Items Related to Operations

	2002	2001
Working capital changes:		
Increase in accounts receivable	$ 10,230	$ 59,393
Increase (decrease) in inventory	25,885	(133,808)
Decrease (increase) in accounts payable	64,512	(86,654)
Decrease (increase) in unearned revenue	16,666	(3,018)
	$ 117,293	$ (164,087)

11. Commitments on Leased Farm Equipment

As of March 31, 2002, the Fund is committed to future lease payments of:

2002/03	$38,946
2003/04	$31,801